

## REPORT FOLLOW-UP

**AGENCY: DEPARTMENT OF HEALTH AND WELFARE**

On June 15, 2005, the Legislative Services Office released a Management Letter for the Idaho Department of Health and Welfare for fiscal year 2004. The Department was contacted on September 12, 2005, and this follow-up report addresses how the Department has responded to the nine findings and recommendations contained in that report, as well as the one outstanding prior finding and recommendation.

**STATUS OF RECOMMENDATIONS:**

**FINDING #1** – Contract monitoring efforts were inadequate, resulting in errors, omissions, and delays in recovering Medicaid costs from private insurance resources.

**We recommended that the Department immediately strengthen the contract performance requirements and monitoring efforts to improve the results of the third-party insurance recovery efforts. These efforts should include developing processes to confirm that insurance resources are identified and recorded promptly, ensuring that all recoverable costs are pursued from the identified liable resources, and confirming that commissions paid to the contractor are based on collections resulting from the contractor's efforts. We also recommended that the Department evaluate all collections reported by the contractor since July 2002, in order to identify and recover any unearned fees.**

**DEPARTMENT'S ORIGINAL RESPONSE** – The Department agrees that measures to determine contract compliance can be improved. The Department will review contract requirements and performance measures to determine any appropriate revisions to include, but not limited to, monitoring functions. The Department will review opportunities to increase the accuracy of coding of recovery payments posted/deposited by other entities. The Department will continue to work with the Legislative Audit Office to resolve and clarify these issues.

**AUDIT FOLLOW-UP** – The Department had the existing contract reviewed by the Attorney General's Office and concluded that the activities in question were within the scope of the contract. However, the practice of issuing amnesty letters has been suspended for the remainder of the existing contract and the RFP for a new contract will clarify this activity.

A new process was implemented in September 2005 to ensure that all recoverable costs are identified and pursued, and a review of unearned commissions is in process by the Department's Internal Audit. Internal Audit will review its findings with Medicaid and Legislative Audit staff. The current contract was amended to clarify the write-off criteria on June 28, 2005. The contractor applied these criteria and the accounts receivable balance was written down as of June 30, 2005.

**STATUS – CLOSED**

**FINDING #2** – The Department has not yet taken steps to pursue absent parents for reimbursement of ongoing Medicaid costs.

**We again recommended that the Department develop a strategy to pursue and recover Medicaid costs from absent parents. This strategy should include methods for identifying all absent parents and opportunities to incorporate the Department's existing efforts and information in pursuing these individuals.**

**DEPARTMENT'S ORIGINAL RESPONSE** – The Department consulted with federal officials about our authority to designate an absent parent as a liable third-party resource. The Department shared this audit finding with CMS Region 10 during a November 2004 meeting; CMS Region 10 has not completed its research of this issue. The Department will contact CMS in order to obtain a follow-up response before taking action on this finding.

**AUDIT FOLLOW-UP** – The Department is still waiting to receive guidance from CMS on this issue.

**STATUS – OPEN**

**FINDING #3** – Applications and redeterminations of Medicaid eligibility are not processed within the required time frames.

**We recommended that the Department develop a strategy to comply with the time frames and requirements for processing applications and redetermining eligibility for Medicaid. This strategy should include establishing a quality control review process to identify training and process issues and limitations in existing automation. The Department should also consider seeking additional resources and renewing its efforts to modify or develop automated processes to prevent or limit the opportunity for recurring eligibility errors.**

**DEPARTMENT'S ORIGINAL RESPONSE** – The Department agrees with this finding. The Department is pursuing additional staffing, improved quality assurance, and improved processes. Caseload growth has resulted in large Medicaid caseloads. Staffing resources have not been adequate to accurately process and maintain the growing number of Medicaid recipients. The Department requested legislative approval of 43 positions in SFY05 and 40 positions in SFY06 (total of 83). The legislature approved 25 positions in SFY05 for eligibility programs (which include Food Stamps, Temporary Assistance for Families, and Child Care in addition to Medicaid eligibility) and 10 positions during SFY06 (total of 35).

The Department is working to improve not only the process of reviewing case files and time lines (as recommended) but ensuring that an integrated quality assurance process finds and implements more efficient and best practices to allow accurate and timely processing and maintenance of Medicaid eligibility.

**AUDIT FOLLOW-UP** – In April 2005 the legislature granted authority to fill 35 new eligibility positions staggered over a one year period. The Division of Welfare has filled all 26 positions made available to date and will hire the remaining 9 positions when they become available in January 2006.

Of the 26 positions hired, 15 were allocated to improve general eligibility determinations and to reestablish the Quality Review Team to address the issues in this finding. The remaining 11 were allocated to improve CHIP eligibility determinations (see Finding #4).

In addition, the Department developed a Decision Unit to fund an improved eligibility system, which will be included in the FY 07 budget request.

**STATUS – CLOSED**

**FINDING #4** – Eligibility continues to be improperly determined in one-third of the Children's Health Insurance Program (CHIP) clients tested.

**We again recommended that the Department review case files and remove ineligible clients from CHIP. Additional resources and renewed efforts are also needed to develop new automated systems and processes to limit the opportunity for recurring eligibility errors.**

**We also recommended that the Department negotiate a resolution with the federal grantor concerning the potential refund for the cost of providing services to ineligible clients.**

**DEPARTMENT'S ORIGINAL RESPONSE** – The Department agrees with this finding. The Department is pursuing additional staffing, improved quality assurance, and improved processes.

**AUDIT FOLLOW-UP** – As noted in the follow-up to Finding #3, the Division of Welfare has filled all 26 newly approved positions and will hire 9 more approved positions in January 2006, according to the staggered hiring plan.

Of the 26 positions hired, 11 were allocated to create the Family Medicaid Consolidated Unit. This Unit will eventually handle all “Medicaid only” applications, re-determinations, and eligibility for the entire State to address the issues in this finding

The questioned cost amount has not yet been resolved with the federal grantor.

#### **STATUS – OPEN**

**FINDING #5** – Enforcement of administrative rules for Medicaid transportation providers needs improvement.

**We recommended that the Department enforce existing rules for non-emergency transportation providers. At a minimum, the Department should require that each provider submit copies of all drivers' licenses, vehicle registrations, and proof of insurance as part of the annual provider agreement renewal process.**

**We also recommended that the Department consider amending existing rules to require transportation providers to supply documentation annually, showing background checks for all staff and safety inspections of all vehicles.**

**DEPARTMENT'S ORIGINAL RESPONSE** – During the past year, there have been retrospective reviews to enforce existing rules for non-emergency transportation providers identifying over \$35,650 in inappropriate provider billings. The Department will review enforcement mechanisms for any appropriate enhancements. The Department will give consideration to amending existing rules requiring providers to supply documentation annually of staff background checks and vehicle safety inspections.

**AUDIT FOLLOW-UP** – The Department increased the number of staff allocated to transportation management and continues to conduct reviews of transportation claims. The Department plans to address the criminal history aspects of the finding during the 2007 session of the legislature.

#### **STATUS – OPEN**

**FINDING #6** – No procedures exist to identify or pursue child support debts from the estates of deceased non-custodial parents.

**We recommended that the Department develop procedures for pursuing child support debts from the estates of deceased non-custodial parents through probate or other means. The Department should consider combining these efforts with the existing estate and probate recovery activities in the Medicaid program.**

**DEPARTMENT'S ORIGINAL RESPONSE** – The Department agrees with this finding. The Department is pursuing changes in its policy and seeking additional staffing to resolve this issue.

**AUDIT FOLLOW-UP** – The Division of Welfare and Medicaid are currently evaluating how best to coordinate estate and recovery activities.

#### **STATUS – OPEN**

**FINDING #7** – Time frames are missed for providing services to interstate child support cases.

**We recommended that the Department develop a strategy to provide services to interstate child support cases within the required time frames. This strategy should include training that reinforces the time frame requirements for interstate cases, and methods to reduce caseloads, such as reallocating or seeking additional resources and staffing.**

**DEPARTMENT'S ORIGINAL RESPONSE** – The Department agrees with this finding. Inadequate staffing resources and higher priorities in the child support program have resulted in delays in processing interstate child support cases. The Department is redesigning its child support process and is seeking additional staffing. The Department is working on a statewide re-design of consolidated child support processes that will identify a specific unit for interstate processing.

**AUDIT FOLLOW-UP** – In April 2005 the legislature granted authority to fill 15 new Child Support positions, staggered over a one year period. The Division of Welfare filled all 12 positions available to date and will fill the remaining 3 positions in January 2006, according to the staggered hiring plan. These additional positions will allow the Department to make improvements in the processes and realign the workload in the statewide redesigned Child Support Enhanced Case Management System.

#### **STATUS – CLOSED**

**FINDING #8** – The Department improperly used more than \$1.8 million of the Temporary Assistance to Needy Families (TANF) Grant funds for inpatient treatment costs and child care services.

**We recommended that the Department comply with federal regulations by not charging medical services or child care costs to the TANF Grant. Program staff should be notified that residential treatment placements that include any medical services are not allowable costs to the TANF program.**

**We also recommended that the Department contact the federal grantor to resolve the questioned costs and potential refund of federal funds.**

**DEPARTMENT'S ORIGINAL RESPONSE** – The Department disagrees with part 1 of this finding. The Department believes that the \$358,000 of questioned costs represents expenditures that were made in accordance with the intent and letter of both the federal rules and State plan.

The Department believes that it is authorized to make the questioned expenditures under federal code (45 CFR 263.11) which provides a grandfather clause to allow the State to spend TANF funds in accordance to the State plan that was authorized prior to 1995. The "grand-fathered" State plan (IDAPA 16-0613) clearly authorizes the Department to make the payments in question.

The Department also believes that the costs questioned by the auditor were allowable based on TANF rules. The Department's belief is based on reviewing the questioned costs that the auditor identified. The Department will work with the auditor and grantor to conduct a more detailed review of the nature and purpose of these expenditures to confirm the accuracy of the Department's belief.

The Department agrees that the actions taken by the Department may need further review but disagrees that the use of funds for child care is a questioned cost.

The TANF grant can be used to fund child care costs. Our federally approved State Plan, on page 6, under 'TAFI funded child care,' states that working families with a dependent child meet the definition of 'needy' for TAFI funded child care when their countable income is at or below 150% of the 1998 federal poverty guidelines. However, we acknowledge that the State Plan could be made clearer and the Department will amend the TANF State Plan at its next scheduled submission to clarify the ability to use TANF to fund child care. The ambiguity and consequences

of actions taken by the Department related to child care expenses funded by TANF should be discussed and evaluated with the federal grantor. The Department will contact the federal grantor and discuss both past practices and explore acceptable practices. The Department will document acceptable practices and processes to verify client eligibility when charging child care expenses to the TANF grant. The federal citation identifying qualified state expenditures for TANF (to fund Child Care) can be found at: 42 USC § 609 (a) (7) (B) (i) (I) (bb).

**AUDIT FOLLOW-UP** – The Department is awaiting a final determination from the federal grantors as to whether inpatient costs and child care costs were made in accordance with federal rules and State plan. The Department will develop a process to assure that direct TANF payments for child care are made to eligible families based on the information provided by the federal grantor.

#### **STATUS – OPEN**

**FINDING #9** – Contracting for information technology (IT) services is not cost effective when compared to hiring State staff.

**We recommended that the Department reevaluate the IT programming and maintenance services contract and seek executive and legislative authority to replace contract personnel with state staff to reduce costs.**

**DEPARTMENT'S ORIGINAL RESPONSE** – The Department agrees that it could be cost effective to replace IT contract personnel with State staff. The concept was presented to executive and legislative authority with a request to begin implementation in the current fiscal year. The Department has received approval from both the executive office and the Joint Finance-Appropriations Committee to begin replacing 20 of the contract personnel. Depending on successful replacement of the initial 20 IT contractors, the Department may request approval to replace additional IT contract staff in the following year.

**AUDIT FOLLOW-UP** – The Information Technology Services Division (ITSD) is currently undergoing a restructure in which all units have been affected. The Administrator and Unit Bureau Chiefs are reviewing and determining those areas where contractor conversion to state staff will occur. The Department has currently converted five contractor positions to state staff and anticipates additional adjustments to staffing and contractor positions once the restructure plans are finalized and implemented.

#### **STATUS – CLOSED**

#### **PRIOR FINDINGS AND RECOMMENDATIONS**

**PRIOR FINDING #FY04-1** – Idaho's food stamp error rate has increased to 15% over the past several years and could result in sanctions on the State.

**We recommended that the Department establish a plan for a long-term solution to reduce the food stamp error rate and avoid potential sanctions by the federal program. This could include reviewing current staff resources, reassigning existing resources, evaluating the cost-effectiveness of contracted staff, improving technology, additional training, and ongoing monitoring.**

**We also recommended that systems and processes of other states be evaluated and adopted to improve the accuracy and success of Idaho's food stamp program.**

**PRIOR FOLLOW-UP STATUS AS OF SEPTEMBER 2004** – The payment error rate for August 2004 and the cumulative rate for federal fiscal year 2004 continue to exceed the national average, again raising the possibility of a financial sanction by the grantor. The cumulative negative error rate (clients denied in error) is also higher than it was in May 2004. Additional resources, contract staff, and adjustments to reporting requirements have not yet improved accuracy and may signal the need for other strategies.

We continue to monitor the status of this issue and have recommended that the Department reevaluate the cause for errors and identify enhancements or other alternatives for reducing errors.

**CURRENT AUDIT FOLLOW-UP** – The average error rate for the first seven months of FFY 05 (October through April) was below 6%. However an increase in the error rate for May 2005 brought the cumulative average error rate to 8%, which is above the national average and again raises the potential for a financial sanction by the federal grantor.

New eligibility positions provided by the legislature (see Finding 3) will allow the Department to implement business changes and reestablish the Quality Assurance Unit to help improve the error rate. In addition, the Department will propose a Decision Unit for FY 07 to improve the eligibility system.

**STATUS – OPEN**